

SB 5313 - S AMD 671
By Senator Wellman

OUT OF ORDER 04/26/2019

1 Strike everything after the enacting clause and insert the
2 following:

3 **"Sec. 1.** RCW 28A.500.015 and 2018 c 266 s 303 are each amended
4 to read as follows:

5 (1) Beginning in calendar year ((2019)) 2020 and each calendar
6 year thereafter, the state must provide state local effort assistance
7 funding to supplement school district enrichment levies as provided
8 in this section.

9 (2) (a) For an eligible school district((7)) with an actual
10 enrichment levy rate that is less than one dollar and fifty cents per
11 thousand dollars of assessed value in the school district, the annual
12 local effort assistance funding is equal to the school district's
13 maximum local effort assistance multiplied by a fraction equal to the
14 school district's actual enrichment levy rate divided by one dollar
15 and fifty cents per thousand dollars of assessed value in the school
16 district('s maximum allowable)).

17 (b) For an eligible school district with an actual enrichment
18 levy rate that is equal to or greater than one dollar and fifty cents
19 per thousand dollars of assessed value in the school district, the
20 annual local effort assistance funding is equal to the school
21 district's maximum local effort assistance.

22 (3) The state local effort assistance funding provided under this
23 section is not part of the state's program of basic education deemed
24 by the legislature to comply with the requirements of Article IX,
25 section 1 of the state Constitution.

26 (4) The definitions in this subsection apply throughout this
27 section unless the context clearly requires otherwise.

28 (a) "Eligible school district" means a school district ((whose
29 ~~maximum allowable enrichment~~)) where the amount generated by a levy
30 of one dollar and fifty cents per thousand dollars of assessed value
31 in the school district, divided by the school district's total

1 student enrollment in the prior school year, is less than the state
2 local effort assistance threshold.

3 (b) For the purpose of this section, "inflation" means, for any
4 school year, the rate of the yearly increase of the previous calendar
5 year's annual average consumer price index for all urban consumers,
6 Seattle area, using the official current base compiled by the bureau
7 of labor statistics, United States department of labor. Beginning in
8 2021, for the purpose of this section, "inflation" means the
9 percentage change in the implicit price deflator for personal
10 consumption expenditures for the United States for the prior calendar
11 year as published in the November economic and revenue forecast by
12 the economic and revenue forecast council or successor agency.

13 (c) (~~"Maximum allowable enrichment levy" means the maximum levy~~
14 ~~permitted by RCW 84.52.0531.~~

15 ~~(d)~~) "Maximum local effort assistance" means the difference
16 between the following:

17 (i) The school district's actual prior school year enrollment
18 multiplied by the state local effort assistance threshold; and

19 (ii) The amount generated by a levy of one dollar and fifty cents
20 per thousand dollars of assessed value in the school district (~~(~~the~~~~
21 ~~maximum allowable enrichment levy)~~).

22 (~~(e)~~) (d) "Prior school year" means the most recent school year
23 completed prior to the year in which the state local effort
24 assistance funding is to be distributed.

25 (~~(f)~~) (e) "State local effort assistance threshold" means one
26 thousand five hundred dollars per student, increased for inflation
27 beginning in calendar year 2020.

28 (~~(g)~~) (f) "Student enrollment" means the average annual full-
29 time equivalent student enrollment.

30 (5) For districts in a high/nonhigh relationship, the enrollments
31 of the nonhigh students attending the high school shall only be
32 counted by the nonhigh school districts for purposes of funding under
33 this section.

34 (6) For school districts participating in an innovation academy
35 cooperative established under RCW 28A.340.080, enrollments of
36 students attending the academy shall be adjusted so that each
37 participant district receives its proportional share of student
38 enrollments for purposes of funding under this section.

1 **Sec. 2.** RCW 84.52.0531 and 2018 c 266 s 307 are each amended to
2 read as follows:

3 (1) Beginning with taxes levied for collection in ~~((2019))~~ 2020,
4 the maximum dollar amount which may be levied by or for any school
5 district for enrichment levies under RCW 84.52.053 is equal to the
6 lesser of ~~((one))~~ two dollars and fifty cents per thousand dollars of
7 the assessed value of property in the school district or the maximum
8 per-pupil limit. This maximum dollar amount shall be reduced
9 accordingly as provided under RCW 43.09.2856(2).

10 (2) The definitions in this subsection apply to this section
11 unless the context clearly requires otherwise.

12 (a) For the purpose of this section, "inflation" means ~~((, for any~~
13 ~~school year,))~~ the ~~((rate of the yearly increase of))~~ percentage
14 change in the ~~((previous calendar year's annual average consumer))~~
15 implicit price ~~((index for all urban consumers, Seattle area, using~~
16 ~~the official current base compiled by))~~ deflator for personal
17 consumption expenditures for the ~~((bureau of labor statistics,))~~
18 United States ~~((department of labor))~~ for the prior calendar year as
19 published in the November economic and revenue forecast by the
20 economic and revenue forecast council or successor agency.

21 (b) "Maximum per-pupil limit" means:

22 (i) Two thousand five hundred dollars, as increased by inflation
23 beginning with property taxes levied for collection in 2020,
24 multiplied by the number of average annual full-time equivalent
25 students enrolled in the school district in the prior school year,
26 for school districts with fewer than forty thousand annual full-time
27 equivalent students enrolled in the school district in the prior
28 school year; or

29 (ii) Three thousand dollars, as increased by inflation beginning
30 with property taxes levied for collection in 2020, multiplied by the
31 number of average annual full-time equivalent students enrolled in
32 the school district in the prior school year, for school districts
33 with forty thousand or more annual full-time equivalent students
34 enrolled in the school district in the prior school year. ((Beginning
35 with property taxes levied for collection in 2020, the maximum per-
36 pupil limit shall be increased by inflation.))

37 (c) "Prior school year" means the most recent school year
38 completed prior to the year in which the levies are to be collected.

39 (3) For districts in a high/nonhigh relationship, the enrollments
40 of the nonhigh students attending the high school shall only be

1 counted by the nonhigh school districts for purposes of funding under
2 this section.

3 (4) For school districts participating in an innovation academy
4 cooperative established under RCW 28A.340.080, enrollments of
5 students attending the academy shall be adjusted so that each
6 participant district receives its proportional share of student
7 enrollments for purposes of funding under this section.

8 (5) Beginning with propositions for enrichment levies for
9 collection in calendar year 2020 and thereafter, a district must
10 receive approval of an enrichment levy expenditure plan under RCW
11 28A.505.240 before submission of the proposition to the voters.

12 (6) The superintendent of public instruction shall develop rules
13 and regulations and inform school districts of the pertinent data
14 necessary to carry out the provisions of this section.

15 (7) Beginning with taxes levied for collection in 2018,
16 enrichment levy revenues must be deposited in a separate subfund of
17 the school district's general fund pursuant to RCW 28A.320.330, and
18 for the 2018-19 school year are subject to the restrictions of RCW
19 28A.150.276 and the audit requirements of RCW 43.09.2856.

20 (8) Funds collected from levies for transportation vehicles,
21 construction, modernization, or remodeling of school facilities as
22 established in RCW 84.52.053 are not subject to the levy limitations
23 in subsections (1) through (5) of this section.

24 **Sec. 3.** RCW 28A.320.330 and 2018 c 266 s 302 are each amended to
25 read as follows:

26 School districts shall establish the following funds in addition
27 to those provided elsewhere by law:

28 (1)(a) A general fund for the school district to account for all
29 financial operations of the school district except those required to
30 be accounted for in another fund.

31 (b) By the 2018-19 school year, a local revenue subfund of its
32 general fund to account for the financial operations of a school
33 district that are paid from local revenues. The local revenues that
34 must be deposited in the local revenue subfund are enrichment levies
35 and transportation vehicle levies collected under RCW 84.52.053,
36 local effort assistance funding received under chapter 28A.500 RCW,
37 and other school district local revenues including, but not limited
38 to, grants, donations, and state and federal payments in lieu of
39 taxes, but do not include other federal revenues, or local revenues

1 that operate as an offset to the district's basic education
2 allocation under RCW 28A.150.250. School districts must track
3 expenditures from this subfund separately to account for the
4 expenditure of each of these streams of revenue by source, and must
5 provide (~~any~~) the supplemental expenditure schedule(~~s~~) under (c)
6 of this subsection, and any other supplemental expenditure schedules
7 required by the superintendent of public instruction or state
8 auditor, for purposes of RCW 43.09.2856.

9 (c) Beginning in the 2019-20 school year, the superintendent of
10 public instruction must require school districts to provide a
11 supplemental expenditure schedule by revenue source that identifies
12 the amount expended by object for each of the following supplementary
13 enrichment activities beyond the state funded amount:

14 (i) Minimum instructional offerings under RCW 28A.150.220 or
15 28A.150.260 not otherwise included on other lines;

16 (ii) Staffing ratios or program components under RCW 28A.150.260,
17 including providing additional staff for class size reduction beyond
18 class sizes allocated in the prototypical school model and additional
19 staff beyond the staffing ratios allocated in the prototypical school
20 formula;

21 (iii) Program components under RCW 28A.150.200, 28A.150.220, or
22 28A.150.260, not otherwise included on other lines;

23 (iv) Program components to support students in the program of
24 special education;

25 (v) Program components of professional learning, as defined by
26 RCW 28A.415.430, beyond that allocated under RCW 28A.150.415;

27 (vi) Extracurricular activities;

28 (vii) Extended school days or an extended school year;

29 (viii) Additional course offerings beyond the minimum
30 instructional program established in the state's statutory program of
31 basic education;

32 (ix) Activities associated with early learning programs;

33 (x) Activities associated with providing the student
34 transportation program;

35 (xi) Any additional salary costs attributable to the provision or
36 administration of the enrichment activities allowed under RCW
37 28A.150.276;

38 (xii) Additional activities or enhancements that the office of
39 the superintendent of public instruction determines to be a

1 documented and demonstrated enrichment of the state's statutory
2 program of basic education under RCW 28A.150.276; and

3 (xiii) All other costs not otherwise identified in other line
4 items.

5 (d) For any salary and related benefit costs identified in
6 (c)(xi), (xii), and (xiii) of this subsection, the school district
7 shall maintain a record describing how these expenditures are
8 documented and demonstrated enrichment of the state's statutory
9 program of basic education. School districts shall maintain these
10 records until the state auditor has completed the audit under RCW
11 43.09.2856.

12 (2) A capital projects fund shall be established for major
13 capital purposes. All statutory references to a "building fund" shall
14 mean the capital projects fund so established. Money to be deposited
15 into the capital projects fund shall include, but not be limited to,
16 bond proceeds, proceeds from excess levies authorized by RCW
17 84.52.053, state apportionment proceeds as authorized by RCW
18 28A.150.270, earnings from capital projects fund investments as
19 authorized by RCW 28A.320.310 and 28A.320.320, and state forest
20 revenues transferred pursuant to subsection (3) of this section.

21 Money derived from the sale of bonds, including interest earnings
22 thereof, may only be used for those purposes described in RCW
23 28A.530.010, except that accrued interest paid for bonds shall be
24 deposited in the debt service fund.

25 Money to be deposited into the capital projects fund shall
26 include but not be limited to rental and lease proceeds as authorized
27 by RCW 28A.335.060, and proceeds from the sale of real property as
28 authorized by RCW 28A.335.130.

29 Money legally deposited into the capital projects fund from other
30 sources may be used for the purposes described in RCW 28A.530.010,
31 and for the purposes of:

32 (a) Major renovation and replacement of facilities and systems
33 where periodical repairs are no longer economical or extend the
34 useful life of the facility or system beyond its original planned
35 useful life. Such renovation and replacement shall include, but shall
36 not be limited to, major repairs, exterior painting of facilities,
37 replacement and refurbishment of roofing, exterior walls, windows,
38 heating and ventilating systems, floor covering in classrooms and
39 public or common areas, and electrical and plumbing systems.

1 (b) Renovation and rehabilitation of playfields, athletic fields,
2 and other district real property.

3 (c) The conduct of preliminary energy audits and energy audits of
4 school district buildings. For the purpose of this section:

5 (i) "Preliminary energy audits" means a determination of the
6 energy consumption characteristics of a building, including the size,
7 type, rate of energy consumption, and major energy using systems of
8 the building.

9 (ii) "Energy audit" means a survey of a building or complex which
10 identifies the type, size, energy use level, and major energy using
11 systems; which determines appropriate energy conservation maintenance
12 or operating procedures and assesses any need for the acquisition and
13 installation of energy conservation measures, including solar energy
14 and renewable resource measures.

15 (iii) "Energy capital improvement" means the installation, or
16 modification of the installation, of energy conservation measures in
17 a building which measures are primarily intended to reduce energy
18 consumption or allow the use of an alternative energy source.

19 (d) Those energy capital improvements which are identified as
20 being cost-effective in the audits authorized by this section.

21 (e) Purchase or installation of additional major items of
22 equipment and furniture: PROVIDED, That vehicles shall not be
23 purchased with capital projects fund money.

24 (f)(i) Costs associated with implementing technology systems,
25 facilities, and projects, including acquiring hardware, licensing
26 software, and online applications and training related to the
27 installation of the foregoing. However, the software or applications
28 must be an integral part of the district's technology systems,
29 facilities, or projects.

30 (ii) Costs associated with the application and modernization of
31 technology systems for operations and instruction including, but not
32 limited to, the ongoing fees for online applications, subscriptions,
33 or software licenses, including upgrades and incidental services, and
34 ongoing training related to the installation and integration of these
35 products and services. However, to the extent the funds are used for
36 the purpose under this subsection (2)(f)(ii), the school district
37 shall transfer to the district's general fund the portion of the
38 capital projects fund used for this purpose. The office of the
39 superintendent of public instruction shall develop accounting

1 guidelines for these transfers in accordance with internal revenue
2 service regulations.

3 (g) Major equipment repair, painting of facilities, and other
4 major preventative maintenance purposes. However, to the extent the
5 funds are used for the purpose under this subsection (2)(g), the
6 school district shall transfer to the district's general fund the
7 portion of the capital projects fund used for this purpose. The
8 office of the superintendent of public instruction shall develop
9 accounting guidelines for these transfers in accordance with internal
10 revenue service regulations. Based on the district's most recent two-
11 year history of general fund maintenance expenditures, funds used for
12 this purpose may not replace routine annual preventive maintenance
13 expenditures made from the district's general fund.

14 (3) A debt service fund to provide for tax proceeds, other
15 revenues, and disbursements as authorized in chapter 39.44 RCW. State
16 forestland revenues that are deposited in a school district's debt
17 service fund pursuant to RCW 79.64.110 and to the extent not
18 necessary for payment of debt service on school district bonds may be
19 transferred by the school district into the district's capital
20 projects fund.

21 (4) An associated student body fund as authorized by RCW
22 28A.325.030.

23 (5) Advance refunding bond funds and refunded bond funds to
24 provide for the proceeds and disbursements as authorized in chapter
25 39.53 RCW.

26 **Sec. 4.** RCW 43.09.2856 and 2018 c 266 s 406 are each amended to
27 read as follows:

28 (1) Beginning with the 2019-20 school year, to ensure that school
29 district local revenues are used solely for purposes of enriching the
30 state's statutory program of basic education, the state auditor's
31 regular financial audits of school districts must include a review of
32 the expenditure of school district local revenues for compliance with
33 RCW 28A.150.276, including the spending plan approved by the
34 superintendent of public instruction under RCW 28A.505.240 and its
35 implementation, and any supplemental contracts entered into under RCW
36 28A.400.200. The audit must also include a review of the expenditure
37 schedule and supporting documentation required by RCW
38 28A.320.330(1)(c).

1 (2) If an audit under subsection (1) of this section results in
2 findings that a school district has failed to comply with these
3 requirements, then within ninety days of completing the audit the
4 auditor must report the findings to the superintendent of public
5 instruction, the office of financial management, and the education
6 and operating budget committees of the legislature. If the
7 superintendent of public instruction receives a report of findings
8 from the state auditor that an expenditure of a school district is
9 out of compliance with the requirements of RCW 28A.150.276, and the
10 finding is not resolved in the subsequent audit, the maximum taxes
11 levied for collection by the school district under RCW 84.52.0531 in
12 the following calendar year shall be reduced by the expenditure
13 amount identified by the state auditor.

14 (3) The use of the state allocation provided for professional
15 learning under RCW 28A.150.415 must be audited as part of the regular
16 financial audits of school districts by the state auditor's office to
17 ensure compliance with the limitations and conditions of RCW
18 28A.150.415."

SB 5313 - S AMD 671
By Senator Wellman

OUT OF ORDER 04/26/2019

19 On page 1, line 1 of the title, after "levies" strike the
20 remainder of the title and insert "and local effort assistance; and
21 amending RCW 28A.500.015, 84.52.0531, 28A.320.330, and 43.09.2856."

EFFECT: (1) Maintains the enrichment levy lid as included in the
Ways and Means substitute, as follows:

(a) The lesser of \$2.50 per \$1,000 of assessed value or \$2,500
per pupil for school districts with fewer than 40,000 FTE students;
and

(b) The lesser of \$2.50 per \$1,000 of assessed value or \$3,000
per pupil for school districts with 40,000 FTE students or more.

(2) Maintains, but rewords, the local effort assistance (LEA)
funding formula as included in the Ways and Means substitute, which
provides LEA when the amount generated by a \$1.50/\$1,000 levy rate is
less than \$1,500 per student.

(3) Provides that the change in the LEA inflation measure from
the consumer price index to the implicit price deflator begins in
2021, rather than immediately.

(4) Removes language that provided enrichment levy funding to
charter schools and eliminated the five-year period during which
charter schools may be established.

(5) Removes language that limited supplemental contracts to the prior year's average supplemental contract amount, reduced by inflation, or, beginning in 2022, three percent of the average salary.

(6) Requires school districts, beginning in the 2019-20 school year, to provide a supplemental expenditure schedule by revenue source, which identifies the amount expended by object for a specific list of supplementary enrichment activities beyond the state funded amount.

(7) Requires districts to maintain a record describing how salary and related benefit costs for certain supplementary enrichment activities are documented, and to demonstrate enrichment of the state's program of basic education.

(8) Requires that the State Auditor review of local revenue expenditures include a review of the expenditure schedule for certain supplementary enrichment activities.

(9) Requires that, should the State Auditor find a school district has used local revenues for non-enrichment activities, the school district's maximum enrichment levy collection authorized under law must be reduced by the unauthorized expenditure amount in the following calendar year.

--- END ---